



Office of the City Manager

CONSENT CALENDAR
January 19, 2021

To: Honorable Mayor and Members of the City Council
From: Dee Williams-Ridley, City Manager
Submitted by: Dr. Lisa Warhuus, Director, Health, Housing, & Community Services
Subject: Predevelopment and Acquisition Loan for 2527 San Pablo Avenue

RECOMMENDATION

Adopt a Resolution:

1. Authorizing the execution of a \$5,500,000 loan to Satellite Affordable Housing Associates (SAHA) for costs related to acquisition and predevelopment of the proposed affordable housing development at 2527 San Pablo Avenue (2527 San Pablo), utilizing existing reserved funds previously allocated by Council.
2. Authorizing the City Manager to execute all original or amended documents or agreements to effectuate this action.

FISCAL IMPACTS OF RECOMMENDATION

The recommendation would not change the amount of the existing total reservation for 2527 San Pablo, but would allow the City to disburse up to \$5,500,000 of the total reserved \$12 million as an acquisition and predevelopment loan to ensure other project funding can be secured. On October 29, 2019, City Council reserved \$500,000 in General Funds generated by Measure U1 as a predevelopment loan for 2527 San Pablo with Resolution 69,163. On December 10, 2019, Council reserved \$11,500,000 as a development loan generated by Measure O Funds with Resolution 69,231 for 2527 San Pablo.

CURRENT SITUATION AND ITS EFFECTS

In October 2020, SAHA requested that the City authorize the option of converting a portion of the development funds reserved into an acquisition loan in order to meet the requirements of their acquisition lender, Community Vision (CV) (formerly Northern California Community Loan Fund). Together, the City's predevelopment loan and CV's acquisition loan would exceed a limit set by CV. If the City agrees to provide its acquisition loan to pay off CV's loan if the project is unable to start construction before the end of 2021, SAHA will be able to obtain the CV loan and use the City's predevelopment funds.

Generally, changing a loan from a development loan to an acquisition and predevelopment loan increases the level of risk for the City, since there is less assurance that the project will move forward than loans made at construction start. In this case, the developer's current financing, capacity and track record, the appraised value, and recording the City's Deed of Trust on the property all mitigate the risk to City funds and support the recommended action.

At the time of this writing, 2527 San Pablo is fully funded except for a noncompetitive 4% federal tax credit allocation and a tax exempt bond allocation. SAHA submitted a combined application to TCAC/CDLAC in September of 2020 for those sources and was not awarded funding in the December round. SAHA plans to reapply for TCAC/CDLAC funds in April 2021.

SAHA has already obtained \$16,163,523 in project funding from the State Infrastructure Improvement Grant, State Affordable Housing and Sustainable Communities Program, and California Department of Developmental Services, as well as 17 project-based vouchers from the Berkeley Housing Authority.

Together with City funds, these resources strongly position SAHA's 2527 San Pablo Project to move forward with construction in June 2021.

Supporting 2527 San Pablo Avenue with acquisition and predevelopment funding is a Strategic Plan Priority Project, advancing our goal to create affordable housing and housing support service for our most vulnerable community members.

BACKGROUND

SAHA applied for funding through the 2019 Housing Trust Fund Request for Proposals. The project is for families and people with special needs on an infill site in the City-designated Dwight and San Pablo node area and will stand six stories tall. One hundred percent of the units are restricted to households with incomes at or below 60% of the area median, excluding the manager's unit that is required by state law. These restrictions will be in place for at least 55 years from initial occupancy. In addition, 12 of the apartments will be set aside for households with intellectual and developmental disabilities.

2527 San Pablo will provide 63 homes as follows: 18 studio units, 11 one-bedroom units, 33 two-bedroom units and one three-bedroom manager's unit. Eighteen of the apartment homes will have private decks or balconies.

The City typically provides two types of loans through the Housing Trust Fund: 1) predevelopment loans that are short-term (five years) and allow developers to assess project feasibility to better position the project to pursue competitive funding at the state level; and 2) development loans that are longer term (55 years), and are closed after all other funding is secured, just prior to construction start. Acquisition is an eligible use in

the HTF Guidelines, but because this project was originally reviewed and recommended for development funding, Council authorization is being sought to convert to an acquisition loan if needed.

ENVIRONMENTAL SUSTAINABILITY

SAHA intends to construct 2527 San Pablo to third-party green building standards, and will seek LEED v4 MidRise certification.

RATIONALE FOR RECOMMENDATION

2527 San Pablo meets local needs and priorities by adding at least 63 new units of affordable housing to the City's inventory. Maintaining the CV acquisition loan allows the project to move forward on time without needing a new acquisition loan source. The City loan has a lower interest rate than a conventional acquisition loan, and will reduce carrying costs as SAHA advances toward construction.

ALTERNATIVE ACTIONS CONSIDERED

SAHA indicated that if the City executed its predevelopment loan without an affordable housing regulatory agreement it would also meet CV's requirements. Since the City's purpose in providing higher-risk predevelopment funds is to promote affordable housing, staff do not recommend providing \$5,500,000 without a regulatory agreement.

CONTACT PERSON

Amanda Montez, Community Development Project Coordinator, HHCS, 510-981-5426

Attachments:

1: Resolution

RESOLUTION NO. ##,###-N.S.

AUTHORIZATION FOR A \$5.5 MILLION ACQUISITION AND PREDEVELOPMENT LOAN FOR 2527 SAN PABLO FROM THE \$12 MILLION IN MEASURE O FUNDS ALREADY RESERVED FOR THE PROJECT

WHEREAS, the City Council established a Housing Trust Fund (HTF) program to assist in the development and expansion of housing affordable to low and moderate income persons who either work or reside within the City of Berkeley, and authorized the City Manager to implement the HTF program; and

WHEREAS, on October 29, 2019, the City Council reserved \$500,000 to 2527 San Pablo with Resolution 69,163; and

WHEREAS, on December 10, 2019, the City Council reserved \$11,500,000 to 2527 San Pablo with Resolution 69,231, conditioned on SAHA securing all entitlements and project funding within two years of the reservation; and

WHEREAS, in October 2020, SAHA requested that the City consider authorizing an acquisition and predevelopment loan before the project was fully funded in order to meet the requirements of their acquisition lender, Community Vision.

NOW THEREFORE, BE IT RESOLVED by the Council of the City of Berkeley that the Council authorizes a loan to SAHA Housing Corporation for 2527 San Pablo to allow for the disbursement of up to \$5.5 million of the \$12 million in reserved funds to support acquisition and predevelopment costs.

BE IT FURTHER RESOLVED that the loan will be conditioned on SAHA securing entitlements and full project funding within two years of the signing date of Resolution 69,231-N.S.

BE IT FURTHER RESOLVED that the funding reservation is conditioned upon the completion of the environmental review process, except as authorized by 24 CFR, Part 58, and that should HOME and/or CDBG funds constitute a portion of the funding for the project, a final commitment of HOME and/or CDBG funds shall occur only upon the satisfactory completion of the appropriate level of environmental review and also upon the receipt of approval of the request for release of funds and related certification from the U.S. Department of Housing and Urban Development, when applicable. The funding reservation for a HOME and/or CDBG funded project is conditioned upon the City of Berkeley's determination to proceed with, modify, or cancel the project based on the results of subsequent environmental review under the National Environmental Policy Act.

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BE IT FURTHER RESOLVED that the making of the loan shall be contingent on and subject to such other appropriate terms and conditions as the City Manager or her designee may establish.

BE IT FURTHER RESOLVED the City Manager, or her designee, is hereby authorized to execute all original or amended documents or agreements to effectuate this action; a signed copy of said documents, agreements and any amendments will be kept on file in the Office of City Clerk.

